



## **North American Public Strategies**

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Timothy Wilkinson  
Vice President

Good afternoon. My name is Tim Wilkinson, Vice president of Alcoa's North American Public Strategy Group and I'm here representing Alcoa's operation in Bettendorf and Riverdale. I can say two towns because the facility has 130 acres under roof, spans the two cities, employees 2200, with an average wage and benefits of a little more than \$35 an hour. It contributes about \$1 million a day to the local economy. It also is where I maintain my office.

Alcoa Davenport Works is the premier supplier of aluminum sheet and plate to the aerospace and auto industries and for military and space applications. There is not a plane flying today that doesn't have some aluminum skin or plate product on it made in Iowa. Think of it as the skin, wings and bones of a plane. Its customers include Boeing, Airbus, Bombardier in Canada, Embraer in Brazil and airframers in China and Russia. The plant has invested over \$1 billion—with a B—to keep the facility modernized. It's the kind of high tech high paying manufacturing facility that Iowa wants to retain.

We appreciate the opportunity to be here today to discuss energy efficiency. Last year the plant used 426 million KWH at a cost of \$16 million. That is enough power to supply about 50,000 residential homes. We have been told we are one of the state's largest single source users on the MidAmerican Grid.

It's important to state at the outset we have an excellent relationship with our utility and we consider them to be the extremely reliable supplier and our rates are competitive to rates we pay throughout the United States.

We struggle every year to drive millions of dollars of cost out of our manufacturing process so we can continue to be one of Iowa's viable, premier employers and be the world's low cost producer of aluminum sheet and plate products. One way we drive costs out is through internal energy efficiency programs.

Alcoa recently conducted a plant wide energy assessment. We brought in experts from around the world for the 2 week assessment. This is a standard occurrence at our various plants. The energy audit was a 2 week Kaizen event.

From that exhaustive study, we identified \$1.5 million in energy savings that could be saved. Excellent you say? Yes, but only a mere \$130,000 was attributed to ELECTRICAL energy consumption. That means we are already lean and mean on our electrical energy consumption. Even after the audit, we were determined to drive costs out of electrical consumption and seek continuous improvements. We purchased high efficiency variable speed drives, motors, lighting and modern meters. We spent over \$2 million in capital over the past 5 years on continuous improvements. These improvements, along with lean manufacturing initiatives, have resulted in a 6% drop in our electrical consumption compared to 2000.

Iowa has a mandated energy efficiency program for industrial users. While it may have served a purpose many years ago, the program is outdated and inefficient for a company like Alcoa that puts a premium on our internal energy efficiency program. Quite simply, it is an energy tax masked as an energy efficiency program.

From January of 2000 to last month, the program has cost our Iowa facility almost \$3.7 million. The annual cost has ranged from a high of \$614,000 to \$327,000 per year. It has averaged \$470,000 per year over the past 7 years. It has increased our cost of electrical energy consumption 3% each year. It's almost 4% in the past 12 months.

A savvy business person would think, based on these numbers that the plant probably gets \$300,000 or \$400,000 per year in rebates. Well yes, we did receive \$350,000. But that \$350,000 is the total over the past 7 years. In other words we've received about 10% back on what we paid in. We are way beyond having the utility hand us energy efficiency light bulbs and motors to use in our 130 acre plant.

When the energy efficiency programs were first implemented over 12 years ago, they had value in educating industry and some made decisions on plant improvements that would not have probably been considered without the programs. But now it appears the program has run its course for major industry. The "low hanging fruit" has been utilized under the program. Economic paybacks are difficult or impossible to obtain. Yet we continue to pay large amounts of dollars into the program.

We would respectfully submit that is not equitable by any means or any standard. We appreciate the intent of the law but do not appreciate its unintended consequences on Alcoa and other similarly situated companies.

We want the ability for large industrial customers to petition the IUB for an exemption from paying for a rate-regulated utility's electric energy efficiency plan that has automatic adjustment mechanisms. We would like to see a program that would allow the IUB to grant a petition for an exemption for large industrial customers who have a high load factor and have taken significant efforts to identify, evaluate, and implement cost-effective energy efficiency measures.

We would respectfully request this committee determine a way to let companies that are already energy efficient and can prove it to opt out of the program or pay some minimum amount based on its usage.

We would ask the legislature to positively demonstrate to my corporation that you will make every effort to keep the cost of doing business in Iowa competitive and our plant viable.

Thank you.